

SUMMARY ANALYSIS OF AMENDED BILL

Author: Emmerson, et al. Analyst: Jessica Matus Bill Number: SB 156
 Related Bills: See Prior Analysis Telephone: 845-6310 Amended Date: March 15, 2011
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Employer Hiring Credit

SUMMARY

This bill would provide a tax credit to taxpayers that employ 50 or less employees.

ANALYSIS

The March 15, 2011, amendments added coauthors, made nonsubstantive changes, and removed language that would have created inconsistency among entity types in the application of the credit. As a result of the amendments, the "Policy Concern" discussed in the department's analysis of the bill as introduced February 2, 2011, has been resolved. One concern remains and is included below for convenience. The remainder of that analysis still applies.

POLICY CONCERN

This bill makes changes to both the Personal Income Tax Law¹ and Corporation Tax Law² to specifically eliminate current anti-abuse rules. These rules were designed to prevent an existing business from being treated as first commencing business in the state when the business simply changed structure, i.e. changed from a sole proprietor to an S-corporation. This bill could allow taxpayers in certain circumstances to claim multiple tax benefits by claiming the credit multiple times.

LEGISLATIVE STAFF CONTACT

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¹ CR&TC section 17276.20(f)

² CR&TC section 24416.20(g)

Board Position:

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Asst. Legislative Director

Date

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03/21/11